



## **National Film Board of Canada**

**2011-2012**

**Quarterly Financial Report ending September 30, 2011**

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For the quarter ended September 30, 2011**

## **1. Introduction**

The National Film Board of Canada (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original and innovative audiovisual works that add to our understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that reflects Canada's rapidly shifting demographic profile – content that would otherwise not be produced. A brief description of the agency's activities for the current year can be found in Part II of the Main Estimates.

This quarterly report has been prepared by management as required by Section 65.1 of the Financial Administration Act, and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates.

### Basis of Presentation

This quarterly report has been prepared by management using expenditure accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through the appropriation act or through legislation in the form of statutory spending authority for specific purposes.

The NFB uses the full accrual method of accounting to prepare its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with generally accepted Canadian accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

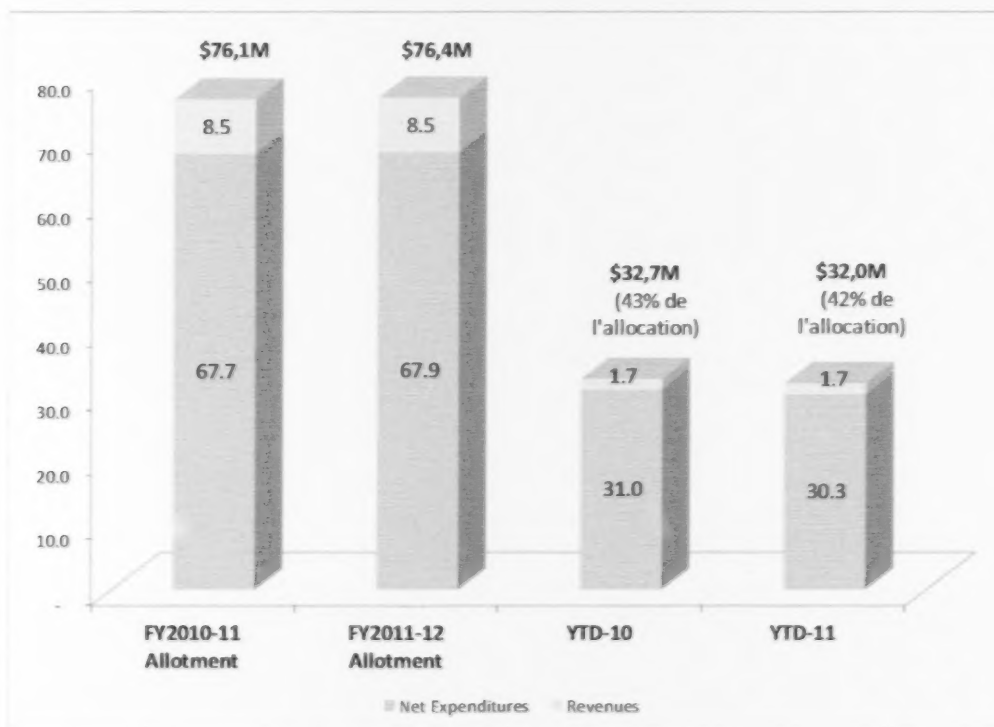
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**2. Highlights of fiscal quarter and fiscal year to date (YTD) results**

**Statement of Authorities**

The level of authorities currently totals 67.9 million dollars for 2011-2012 compared with 67.7 million for the same period last year. During the second quarter, the NFB received authorization to carry forward \$603,000 from 2010-2011 related to operating expenditures. The carry forward from 2009-2010 received in 2010-2011 totaled \$438,000.

During the second quarter of 2011-12, the NFB received the Treasury Board allocation related to Vote 30, which covers Paylist Requirements, for a total amount of \$528,000 whereas in 2010-2011, the allocation was paid during the last quarter. In 2011-2012, the Treasury Board modified the procedure for obtaining Vote 30 allocations to enable the Department to receive these authorities throughout the fiscal year.



The total year-to-date gross budgetary expenditures on September 30, 2011 were \$32 million, corresponding to a use of 42% of our available total, which is similar to last year's results for the same period.

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**Departmental Budgetary Expenditures by Standard Object**

Actual net budgetary expenditures in the second quarter of 2011-2012, totalling \$15.657M, were down by \$81,000 compared with the same period last year. The decrease in actual gross budgetary expenditures in the second quarter totalled \$221,000 (see Table 2).

Year-to-date net budgetary expenditures in the second quarter, totalling \$30.319M, were down by \$722,000 compared with the same period last year. The decrease in actual gross expenditure totals in the second quarter totalled \$675,000 (see Table 2).

These decreases are mainly owing to these key elements:

Revenues were down by \$141,000 in the second quarter of 2011-2012 compared with the same period last year due to a \$52,000 pre-sale completed with ITVS for the *Reel Injun* project and an NFB.ca subscription contract totalling \$84,000 with the Vancouver School Board.

Personnel costs decreased by \$416,000 compared with the same period last year, due in large part to the natural attrition resulting from several retirements and the reorganization of the Winnipeg production studio.

Transportation and communication costs decreased by \$169,000 during the first semester of 2011-2012. In 2010-2011, several film production projects, such as the documentary *Pink Ribbons Inc.*, were in the shooting phase and therefore required more travel expenditures.

Professional and special services consist primarily of audiovisual services for film production and cash financing in co-productions. These increased by \$673,000 in the second quarter of 2010-2011 primarily owing to film productions in the Ontario and Northwest centres, such as *St. Jude*, *Stories We Tell* and *Queen*.

Rental costs decreased by \$176,000 during the second quarter of 2011-2012 for a total decrease of \$223,000 for the semester. During the first semester of 2010-2011, several film production projects were in the shooting phase, including *ORA*, *Trou Story*, *Pink Ribbons Inc.* and *Wiebo's War*. This required additional costs for the rental of technical equipment.

Machinery and equipment acquisition expenditures decreased by \$250,000 during the second quarter of 2011-2012 for a total decrease of \$52,000 for the semester. This decrease is mainly due to end of lease-purchase contracts for equipment acquired during the digital transition, for which the NFB exercised the options to purchase in the 2010-2011 fiscal year.

For the NFB's digital strategy, the release of digital rights is an important issue. The NFB.ca Screening Room has 2,000 titles that can be viewed online and the digital rights release is continuing. We are also developing the transactional services available on NFB.ca for both the consumer and the education markets. These initiatives accounted for the \$150,000 increase in other expenditures during the second quarter of 2011-2012 and the \$346,000 increase compared with the same period last year.

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The other types of expenditures by standard object are in line with the historic trends.

### **3. Risks and Uncertainties**

The new digital technologies are revolutionizing the audiovisual industry here in Canada and around the world. This revolution offers tremendous new opportunities and potential for new business models. The NFB has made great strides in this realm, thanks to its innovative digitization plan and the creation of its NFB.ca online Screening Room. These technological advances have required significant financial outlays by the institution. The NFB will continue to monitor technological changes and wisely invest financial resources in its future programming and accessibility mechanisms.

In addition, the mobility of consumer platforms and the variety of formats to be provided represent enormous challenges. Rights clearance for digital content is chief among them. The NFB will ensure that sufficient financial resources are dedicated to meet this particular challenge.

Decreasing traditional operating revenues is a risk to the NFB. However, the institution intends to take advantage of new digital opportunities to mitigate the effects of the reduction in its traditional revenues.

### **4. Significant Changes in Relation to Operations, Personnel and Programs**

No significant changes related to operations, personnel and programs having an impact on financial reporting occurred during the quarter ended September 30, 2011.

Approved by:



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Tom Perlmutter

Government Film Commissioner

Montreal, Canada

November 29, 2011



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Luisa Frate

Director General, Finance,  
Operations and Technology  
(Chief Financial Officer)

Montreal, Canada

November 29, 2011

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**Table 1 : Statement of Authorities (unaudited)**

	Fiscal Year 2011-2012		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended September 30, 2011	Year to date used at the quarter-end
Vote 70 - Operating expenditures	67 913 329	15 657 286	30 319 211
<b>Total Budgetary authorities</b>	67 913 329	15 657 286	30 319 211
<b>Total authorities</b>	<b>67 913 329</b>	<b>15 657 286</b>	<b>30 319 211</b>

Fiscal Year 2010-2011		
Total available for use for the year ending March 31, 2011*	Used during the quarter ended September 30, 2010	Year to date used at the quarter-end
67 655 695	15 737 804	31 041 718
67 655 695	15 737 804	31 041 718
<b>67 655 695</b>	<b>15 737 804</b>	<b>31 041 718</b>

\*Includes only Authorities available for use and granted by Parliament at quarter-end.



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**Table 2 : Departmental budgetary expenditures by Standard Object (unaudited)**

	Fiscal Year 2011-2012			Fiscal Year 2010-2011		
	Planned expenditures for the year ending March 31, 2012*	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011*	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	41 937 630	9 829 042	19 375 081	42 194 987	10 245 468	19 749 983
Transportation and communications	2 959 182	690 143	1 207 411	3 179 229	691 454	1 376 207
Information	663 981	12 934	166 776	818 147	44 914	247 066
Professional and special services	13 773 031	2 822 479	4 370 831	13 300 851	2 149 724	3 829 649
Rentals	8 106 530	1 928 626	4 066 868	7 997 120	2 104 847	4 289 818
Repair and maintenance	2 177 901	162 864	759 312	951 115	252 744	803 627
Utilities, materials and supplies	1 207 677	192 844	391 912	1 247 749	241 312	472 359
Acquisition of land, buildings and works						
Acquisition of machinery and equipment	3 116 709	451 498	1 054 480	4 008 768	701 131	1 575 029
Transfer payments	250 000	40 000	47 000	250 000	70 300	116 800
Public dept charges						
Other subsidies and payments	1 042 009	320 074	602 384	1 722 041	169 881	256 625
<b>Total gross budgetary expenditures</b>	<b>75 234 650</b>	<b>16 450 504</b>	<b>32 042 055</b>	<b>75 670 007</b>	<b>16 671 775</b>	<b>32 717 163</b>
<b>Less Revenues netted against expenditures:</b>						
Revenues credited to the vote	8 452 446	793 218	1 722 844	8 452 447	933 971	1 675 445
<b>Total Revenues netted against expenditures</b>	<b>8 452 446</b>	<b>793 218</b>	<b>1 722 844</b>	<b>8 452 447</b>	<b>933 971</b>	<b>1 675 445</b>
<b>Total net budgetary expenditures</b>	<b>66 782 204</b>	<b>15 657 286</b>	<b>30 319 211</b>	<b>67 217 560</b>	<b>15 737 804</b>	<b>31 041 718</b>

\*Includes only Authorities available for use and granted by Parliament at quarter-end.